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**PROJECT MANAGEMENT AND PROJECT
FINANCED FROM THE EUROPEAN STRUCTURAL
FUNDS**

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This paper is dedicated to the problems of project management from the point of view of methodical rules for project financed from the European Structural Funds in the Czech Republic. It aims to identify problem-free, problem and collision areas of applicability of project management tools to projects co-financed from the European Structural Funds within the rules set from the side of grant providers in the Czech Republic. It discusses application of the project management tools in accordance with methodical rules within individual stages of a project life cycle, i.e., pre-project, project and post-project stages, and evaluates the system of methodical rules implemented in the Czech Republic for projects co-financed from the European Union sources in the context of project management.

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Introduction

The possibility of implementing projects financed from the European Structural Funds is now a great opportunity for all economic entities. Within the currently running Programming Period 2007-2013, €26.69 billion has been allocated to the Czech Republic from the European Union budget. Using these means should lead to increased competitiveness of entrepreneurial entities in the Czech Republic and to an improved general infrastructure and level of education, research and development. The applicants and subsequently the project solvers that can make use of this opportunity include entities from all the national economy sectors. Chemical and food industry enterprises can use these sources for financing their development activities, e.g., introduction of new technological processes, reduction of the impacts on the environment, implementation of research activities, and creation of partnerships with research and educational institutions, or increasing the staff qualifications.

Project management represents a tool leading to an increase in effectiveness during project implementation and in the efforts to achieve an optimal solution cost-quality ratio within the shortest possible time period. The question is whether the project management tools are purposefully implemented in the Czech Republic in the methodical rules set for projects financed from the European Structural Funds that have to be observed during preparation and implementation of these projects. The paper aims to identify problem-free, problem and collision areas of applicability of project management tools to projects co-financed from the European Structural Funds within the rules set from the side of grant providers in the Czech Republic.

These rules have been defined by a few institutions. The Ministry of Regional Development of the Czech Republic defines the general rules and recommendations for drawing up an application for project funds, see more in Ref. [1]. The Ministries responsible for individual operational programmes and Regional Offices draw up detailed implementation rules - calls, methodology, handbooks, newsletters, etc. The Decision on Grant Allocation is another document specifying the terms and conditions of project implementation. The applicant is also obliged to observe the general legal rules and has to take account of the internal rules and methodology introduced in the organization preparing an application and subsequently implementing a project. Let's now focus our attention on the fact how these rules in the context of application of project management tools affect individual stages of the project life cycle.

Application of Project Management Tools in Accordance with the Methodical Rules in the Pre-Project Stage

The methodologies for defining a project require drawing up a detailed plan unequally from the point of view of its component parts and they mainly focus on the definition of the objective and the area relating to the budget. Subsequently, we specify, for selected basic areas recommended by project management (for more information, see e.g., Meredith and Mantel [2], PMI [3], Svozilová [4]), to what extent the methodologies require their planning, or whether it is not required, and so it is up to the solvers and their knowledge of the project management problems if they decide to plan the area in question or not.

Setting a Project Objective

The methodologies for defining a project recommend drawing up a feasibility study, making a cost-benefit analysis, setting a clear project objective, and dividing its implementation into several key activities, which must be in compliance with the required key activities of the relevant call of the operational programme [1]. For example, the handbook for an applicant within the operational programme of Education for Competitiveness [5] recommends, as one of the possible tools for defining a project during the project preparation stage, using the logical framework approach and, when choosing the project intention, setting a measurable and implementable project objective.

Making a Project Schedule and Detailed Activity Planning

A relatively simple time schedule of key activities is enough to define a project. Commencement and completion of key activities usually correspond with the commencement and completion of the project itself, as their potential interruption during the project implementation and their recommencement is a relatively administratively demanding process. And the total duration of the project must be identical to the condition specified in the corresponding call, which defines the maximum and minimum duration of projects. Preparation of a detailed activity plan is not required and its preparation depends on the solver's approach. The methodologies do not require a detailed description of the activities, dependence of the activities, estimation of their duration, and necessary sources in the form of a Work Breakdown Structure or a Gantt chart. To define project activities, it is just necessary to make a subject description of individual key activities. The process of more detailed activity planning takes place later on as a part of monitoring, where regular monitoring reports also include detailed activity planning for the next monitoring period.

HR Planning

The methodologies require detailed planning of the project team. An application for a project includes a detailed definition of individual jobs, of the activities they include and of the fact if it is a part-time or a full-time job, or the number of planned working hours. This information relates to the whole project implementation period, and it is not closely interlinked with the performed activities.

Budgeting

Planning with the highest rate of detail is required in the definition of the project budgeting. It specifies, in the extent of individual items, all the spheres of potential costs — personal and travel costs, material and services, facilities, investment costs and mandatory costs relating to the project implementation. The methodologies set detailed rules for the process of defining costs and composition of budgets — limits for the share of individual types of costs. They also define the possibility of setting indirect project costs. They also require information concerning the schedule of costs broken down by year and by key activity for the whole period of project implementation.

Risk Planning

When a project is being prepared, it is recommended that the applicant prepares, and specifies in the application, a project risk analysis, including the planned measures to eliminate the identified risks. Then, it is up to the solver to choose a form of risk monitoring during the period of the project, to decide whether to determine persons responsible for monitoring of particular risk types or not, how to take necessary measures and whether to update the list of risks according to the current situation.

Change Management Planning

When changes are planned, it is necessary to take account of the fact that the methodologies define two basic types of changes — significant and insignificant changes [6]. Implementation of significant changes is conditioned by time-consuming acceptance by the grant provider. This concerns any fundamental changes in the schedule, changes of the key activities, the project partners, but also some transfers within the project budget. Implementation of insignificant changes

depends on the solver, who is then obliged to inform the grant provider about such changes after their implementation within the monitoring reports. The possible scope of both types of changes is defined in the handbooks and it is relatively limited. That is why it is essential to define the project, when it is being prepared, as precisely as possible, for administration of any changes is relatively demanding and some changes cannot be implemented at all. So it is necessary to identify any requests for changes as soon as possible and also to start their administration as soon as possible.

Quality Planning

Quality planning is not a part of the requirements concerning the process of defining a project, and so it is up to the project solver to decide how to set the project quality parameters. The grant provider monitors and checks, during the project period, whether the material parts of the project are implemented in compliance with the information specified in the approved application for a grant. Such an inspection focuses on the fact whether the monitoring indicators are fulfilled. Apart from the mainly quantitative inspection of the subject side of the project, the grant provider also carries out deep monitoring of the level of the project documentation. The grant provider is obliged to perform at least one on-site inspection during the implementation period.

Communication Planning

The methodologies do not require this part of the plan. Communication planning is recommended by the general rules of project implementation. So, it is up to the solver and the communication rules introduced within the organization solving the project, how the communication rules are set both within the project and with its surroundings. The only two communication areas that are defined within the rules and subsequently monitored during inspections are observation of the obligatory project publicity rules and timely submission of monitoring reports.

Subcontract Planning

Definition of subcontracts and arrangement of all supplies for the project needs are subject to the obligation to unite all the similar fulfilments financed from the public sources across the solver's organization and, in the case the set limit is exceeded, to choose a supplier through tendering proceedings in compliance with Act No. 137/2006 Coll., on public contracts [7]. The cases that are exempt from

this obligation are those where it is a unique supply, e.g., in the case of a need to maintain compatibility with the existing equipment, or in the case it is the only solution available on the market. In all the other cases, it is necessary to choose the supplier through tendering proceedings. The project plan must schedule all tendering proceedings taking place within the project period, and then the solver is obliged to provide the grant provider with all the details of the running tendering proceedings within the monitoring process. The fact is that the process of solving projects is significantly affected by the specification of requirements, coordination across the organization, and the length of tendering proceedings, where the project implementation might be threatened, but not for the reason of the fact that the planned activities are not performed, but that it is impossible to carry them out until the appropriate tendering proceedings have been accomplished in compliance with the valid rules, or for the reason that it is impossible to enter into a contract with a supplier if there are no bidders or only one bidder taking place in the tendering proceedings.

Definition of Target Groups and Monitoring Indicators

Beyond the basic chapters for defining a project from the point of view of project management, it is required that an application for a project defines the target groups and describes their benefits from the point of view of the project and the monitoring indicators. It is a tool that serves for evaluation of the project implementation impacts and that monitors how successful the project realization is. The role of objectively verifiable indicators is fulfilled by the monitoring indicators. The defined project objective is then measured by the monitoring indicators to which the project implementers commit themselves and the fulfilment of which they document and substantiate within the monitoring process. The monitoring indicators are mainly comprised of quantitative indicators.

Application of Project Management Tools in Accordance with the Methodical Rules in the Project Stage

The project implementation itself runs in 3/4/6-month monitoring periods into which the project has been divided. The length is specified for each project in the decision to provide a grant. Implementation of the planned activities, their timing, monitoring and allocation of the sources are up to the project solver. For the monitoring needs, it is necessary to perform detailed monitoring and documentation mainly of implementation of tendering proceedings, costs, implementation of changes, and fulfilment of monitoring indicators. As for accounting documents, the methodology requires that they are substantiated

beyond Act No. 536/1991 Coll., on accounting [8], as it is necessary to obtain more documents from the suppliers than it is stipulated by the Act, and it is necessary to archive such documents for the period of 25 years.

Attention must be paid, above all, to the administratively demanding and time-consuming process of public contracting.

Implementation of significant changes in particular needs to be planned well in advance due to the obligation to submit a significant change request, approved by a statutory representative of the project solver and statutory representatives of any potential partners, and due to the long change approval process.

In these projects, great emphasis is placed on the project monitoring process. Differently from the project management rules, which require a brief update on the project progress with a shortest possible feedback, the projects financed from the European Structural Funds are characterized by detailed and administratively demanding documentation with a long assessment feedback. The monitoring process is documented in a submitted monitoring report, which includes a description of the performed operations within individual key activities, a plan of operations within individual key activities for the next period, a description of insignificant changes, a description of implemented and prepared tendering procedures, the project publicity status, and the basic facts concerning the project financial status. What is really extensive, it is mainly the monitoring report appendices, as it is required that they include copies of all accounting documents, including the orders confirmed by the suppliers, copies of internal posting itemization, copies of purchase and employment contracts and their potential amendments, copies of payslips, copies of the account statements documenting the payments and paid wages and salaries, a detailed overview of all drawn items and changes in the budget, a detailed overview of all incurred personal expenses, travel expenses, write-offs, work reports for the respective period broken down by month for each member of the project team, and overview of tendering procedures and copies of the documentation of any implemented or cancelled tendering, an overview of the fulfilment of the monitoring indicators, copies of the documents concerning fulfilment of the monitoring indicators (training certificates, name list of the supported target groups, attendance sheets of the events for the target groups, photo documentation), and documentation concerning the project publicity.

Logically, checking of such extensive monitoring reports leads to a longer feedback towards the solver. In the course of the project, the things that are mainly monitored are the facts whether the rules are observed in compliance with the respective methodologies — i.e., the formal aspect of the project, the costs, any changes made, and whether the mandatory publicity is ensured, but the monitoring process pays less attention to the subject aspect of the project during its implementation stage. The solvers are obliged, before the implementation is accomplished, to perform a project audit and to submit the audit report together with the final report on the project implementation.

Application of Project Management Tools in Accordance with the Methodical Rules in the Post-Project Stage

In compliance with the project management theory, the requirement of a post-project stage within which the project is evaluated is respected. When the project is completed, it is necessary to draw up the final report on the project implementation and the final financial statement and submit everything together with the audit report to the grant provider within two months. Once the project has been approved by the grant provider, the completion statement is drawn up and the project documentation is stored.

When the project is completed, in some cases there is up to a five-year period of sustainability depending on the type of the operational programme or the terms and conditions of individual calls, within which the project solver is obliged to maintain the project outputs functional and keep the grant provider informed on the current status in the form of annual reports.

The longest obligations are connected with archiving of the project documentation, as in this point the methodologies stipulate a 25-year period with the obligation to store the electronic data on currently functional data media.

Conclusion – Assessment of the System of Methodical Rules from the Point of View of Project Management

The general methodologies recommend using project management as the main tool in project implementation, while some particular directions in the detailed versions of methodical manuals diverge from the project management rules.

The methodical rules that do not collide with the project management rules can include the following:

- required precise definition of the project objective using a feasibility study, a cost-benefit analysis, or the logical framework approach;
- required project anchoring in the relationship with the project surroundings within the organization and in compliance with the requirements of the operational programme and the call;
- obligation to draw up detailed plans for individual key activities, the project team, the risks, the quality and the subcontracts in the form of a list of planned tendering procedures;
- definition of the target groups or involved parties, where the list of the involved parties is only specified from the point of view of the impacts of the project outputs;
- definition of cash flows within the project in the form of a plan of deadlines, submission of requests for payments and their expected volumes;

- definition of terms and conditions concerning implementation of changes;
- continuous supervision of the project progress in the form of monitoring;
- maintenance of the project documentation and its availability after completion of the project;
- evaluation of the project after its completion.

The methodical rules that diverge from the project management rules can include the following:

- project evaluation that uses financial assessment of projects or calculation of social and economic effects of project to a minimum extent only;
- definition of activities does not use the standard tools for defining activities in the forms of Work Breakdown Structure or Gantt chart, including definition of their mutual dependencies;
- human resources are defined in general, but not in relation to particular activities that are to be carried out within the project;
- limited information capability of the time schedule;
- absence of monitoring and risk assessment tools within the project implementation period;
- too detailed project budget liable to complicated rules and only enabling limited alterations according to the actual situation in the project;
- limitations connected with the possibility of purchasing necessary items using the budget not in the period when such an item is needed within implementation, but in the period when it is possible to arrange tendering from the administrative point of view with the risk of the situations that there are no bids, only one bidder takes part, or there are appeals by the unsuccessful bidders;
- definition of the quality in the form of monitoring indicators inclining to quantitative evaluation of the outputs rather than to qualitative evaluation;
- complicated system of making significant changes with an administratively demanding form and long feedback.

The methodical rules that are in contradiction to the project management rules can include the following:

- divergence from the project triple imperative, where the projects are defined in the form of a specified scope and quality of the achieved outputs, the period of implementation and the budget of planned costs, but what is missing is any pressure on achieving their most effective combination;
- too detailed and administratively demanding requirements concerning the scope of information serving for approval, continuous evaluation and final evaluation of the projects leading to excessively long feedback focused on the quantitative values of the projects and on detailed financial information on the project with a smaller emphasis placed on the qualitative value of the project outputs.

A relatively large number of problem and collision areas complicate the possibility of applying project management tools in managing projects financed from the European Structural Funds. In this case, project management is often considered as another demanding activity usable for the needs of solvers only. So, it is up to the solver to decide which tools to use for more effective planning and project implementation and how to modify them not to be in contradiction to the set rules when they are used.

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